

Internal Revenue Service
memorandum

CC:TL-N-3595-88

Br.4:RJFitzpatrick

date: [REDACTED]

to: District Counsel, Greensboro CC:SE:GBO

from: Director, Tax Litigation Division CC:TL

subject: [REDACTED]

Taxable Years: [REDACTED] through [REDACTED]
Pre-90-Day Case

This is an interim response to your request for technical advice on whether the rental value of a parsonage furnished to a minister of the gospel as part of his compensation may be excluded from gross income under the provisions of I.R.C. § 107(1) regardless of the reasonableness of his overall compensation. Since this is an issue of first impression, we requested the views of the Employee Benefits and Exempt Organizations Division (CC:EE) and they have concluded that your position is correct; an O.M. which will set forth the Service's position in detail is in preparation and we will forward a copy to you when it is completed.

In your request you stated that the Service has determined that [REDACTED]'s entire compensation package is excessive for the years at issue. Based upon this conclusion, you proposed a formula to determine what portion of the rental value of the parsonage is to be allocated to the reasonable portion of the compensation package and what is to be attributable to the excessive portion of the compensation package. If a court concludes that [REDACTED]'s entire compensation was not excessive, then the I.R.C. § 107 issue would not be reached.


Attached for your information is a copy of our January 26, 1988 coordination memorandum to CC:EE wherein we discuss the available authorities dealing with the issue, and a copy of CC:EE's March 15, 1988 preliminary response to us stating that a reasonableness standard can and should be applied to a minister's total compensation. We agree with this conclusion.

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If you have any questions, please contact Robert J. Fitzpatrick at 566-3345.

MARLENE GROSS
Director

By:


HENRY G. SALAMY
Chief, Branch No. 4
Tax Litigation Division

Enclosures:

cc 1/26/88 memo
cc 3/15/88 memo

cc: Acting Regional Counsel, Southeast Region CC:SE
Attn: Deputy Regional Counsel (General Litigation)
Assistant Director, General Litigation Division CC:GL